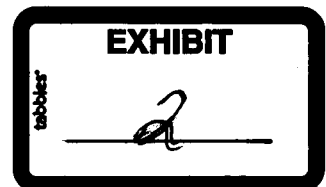


JEJ FOOD COMPANY, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDING
DECEMBER 31, 1992



THOMAS N. SOUTHARD

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February 5, 1993

To The Board of Directors
JEJ Food Company, Inc.
Springfield, Virginia 22153

I have reviewed the accompanying balance sheet of JEJ Food Company, Inc., as of December 31, 1992, and the related statements of income, retained earnings and cash flows for the year then ended, in accordance with standards established by the American Institute of Certified Public Accountants. All information included in these financial statements is the representation of the management of JEJ Food Company, Inc.

A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an examination in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, I do not express such an opinion.

Based on my review, I am not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Thomas N. Southard

JEJ FOOD COMPANY, INC.
BALANCE SHEET
AS OF DECEMBER 31, 1992

ASSETS

CURRENT ASSETS

Cash	\$	4,876	
Note Receivable		83,644	
Accounts Receivable		405,134	
Tax Refunds Receivable		12,713	
Inventory		420,415	
Prepaid Expenses		14,317	

TOTAL CURRENT ASSETS	\$		941,099

FIXED ASSETS

Furniture & Fixtures	3,421		
Manufacturing/Warehouse			
Equipment	1,455,729		
Office/Other Equipment	32,329		
Vehicles	71,674		
Leasehold Improvements	186,420		
Accumulated Depreciation	(936,190)		

TOTAL FIXED ASSETS			813,383

OTHER ASSETS

Deposits	21,287		
Organization Costs	4,219		
Startup Costs	16,664		
Accumulated Amortization	(20,445)		

TOTAL OTHER ASSETS			21,725

TOTAL ASSETS

\$ 1,776,207
=====

SEE ACCOUNTANT'S REVIEW REPORT AND ACCOMPANYING NOTES

JEJ FOOD COMPANY, INC.
BALANCE SHEET
AS OF DECEMBER 31, 1992

LIABILITIES & EQUITY

CURRENT LIABILITIES

Accounts Payable	\$ 595,856	
State Income Tax Payable	173	
Accrued Expenses	9,565	} 12021
Wages Payable	39,924	
Payroll Taxes Payable	11,848	
Current-Portion Long-Term Debt	487,675	

TOTAL CURRENT LIABILITIES	\$ 1,145,041	

LONG-TERM LIABILITIES

Notes Payable	1,179,102	
Due to Officers	20,000	
Less: Current-Portion Long-Term Debt	(487,675)	

TOTAL LONG-TERM LIABILITIES	711,427	

TOTAL LIABILITIES	\$ 1,856,468	

EQUITY

Common Stock	1,000	
Paid-in Capital	59,876	
Retained Earnings	49,429	
Current Earnings	(190,566)	

TOTAL EQUITY	(80,261)	

TOTAL LIABILITIES & EQUITY	\$ 1,776,207	
	=====	

SEE ACCOUNTANT'S REVIEW REPORT AND ACCOMPANYING NOTES

JEJ FOOD COMPANY, INC.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1992

SALES

Sales \$ 6,141,741

COST OF GOODS SOLD

Purchases \$ 2,487,888
Freight 15,396
Direct Labor 1,056,858
Direct Labor Payroll Taxes 95,900

TOTAL COST OF GOODS SOLD 2,595,184
3,656,042

GROSS PROFIT

\$ 2,485,699

GENERAL AND ADMINISTRATIVE EXPENSES

Advertising 1,683
Amortization 144
Auto & Truck Expenses 108,253
Bank Charges 1,289
Commissions-Office Employees 56,173
Commissions-Brokers 106,498
Consultant Fees 17,728
Contract Labor/Temps 17,943
Donations 889
Dues & Subscriptions 1,701
Entertainment & Meals 2,627
Equipment Rentals 13,209
Fringe Benefits 16,288
Insurance 73,713
Interest Expense 171,645
Kitchen Priveleges Fees 180,089
Legal & Accounting 92,493
Licenses & Fees 3,352
Miscellaneous Expense 6,259
Payroll Taxes 63,933
Penalties 872
Personal Property Taxes 19,700
Postage 13,955
Professional Services 51,643
Recruitment 912
Rent 177,084
Repairs & Maintenance 165,779
Salaries (except officers) 463,647
Shows & Demos 8,746
Slotting Allowances 4,500
Supplies 78,034
Telephone 29,999
Travel Expense 25,060
Truck Rentals 155,120
Utilities 137,706

TOTAL GENERAL AND ADMINISTRATIVE EXPENSES

2,268,666

SEE ACCOUNTANT'S REVIEW REPORT AND ACCOMPANYING NOTES

JEJ FOOD COMPANY, INC.
 INCOME STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 1992

OPERATING INCOME BEFORE DEPRECIATION AND OFFICERS' SALARIES		\$ 217,033
Depreciation Expense	\$ 258,821	
Officers' Salaries	174,873	

TOTAL		433,694

NET OPERATING INCOME		(216,661)
OTHER INCOME AND EXPENSES		
Vending Machine Income	9,260	
Vending Machine Costs	(12,706)	
Interest Income	5,696	
Income Tax Refunds Rec.	11,924	
Accts Rec Recovery		
(previous write-off)	2,989	
Miscellaneous Income	19,277	
Gain on Sale of Asset	3,822	
Loss on Disposals of Assets	(13,767)	

TOTAL MISCELLANEOUS INCOME		26,495

NET INCOME BEFORE INCOME TAXES		(190,166)
State Corporate Income Tax	400	

TOTAL INCOME TAXES		400

NET INCOME		\$ (190,566)
		=====

SEE ACCOUNTANT'S REVIEW REPORT AND ACCOMPANYING NOTES

JEJ FOOD COMPANY, INC.
STATEMENT OF RETAINED EARNINGS
AS OF DECEMBER 31, 1992

Beginning Retained Earnings as of December 31, 1991	\$ 49,429
Current loss for the year ended December 31, 1992	(190,566) -----
Ending Retained Earnings as of December 31, 1992	\$ (141,137) =====

SEE ACCOUNTANT'S REVIEW REPORT AND ACCOMPANYING NOTES

JEJ FOOD COMPANY, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1992

CASH FLOWS FROM OPERATING ACTIVITIES

Net Income	\$ (190,566)
Adjustments for non-cash items	
Depreciation and Amortization	258,965
Loss on Assets Disposed of (not sold)	13,767
Gain on Sale of Vehicle	(3,822)
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase in Accounts Receivable	(129,255)
Increase in Inventories	(32,751)
Increase in Prepaid Expenses	(12,865)
Decrease in Deposits	5,225
Decrease in Accounts Payable	(51,972)
Increase in Taxes Payable	4,542
Increase in Accrued Expenses	9,565
Increase in Wages Payable	39,924

NET CASH USED BY OPERATING ACTIVITIES	(89,243)

CASH FLOWS FROM INVESTING ACTIVITIES

Repayment of Note Receivable	27,784
Purchases of Office Equipment	(19,986)
Purchases of Mfg/Warehouse Equipment	(70,217)
Purchases of Vehicles	(16,339)
Sale of Vehicles	4,500

NET CASH USED BY INVESTING ACTIVITIES	(74,258)

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from Long-Term Debt	477,343
Repayment of Long-Term Debt	(392,781)
Proceeds from Loans from Officers	20,000

NET CASH PROVIDED BY FINANCING ACTIVITIES	104,562

NET DECREASE IN CASH	(58,939)

CASH AT BEGINNING OF YEAR	63,815

CASH AT DECEMBER 31, 1992	4,876
	=====

SEE ACCOUNTANT'S REVIEW REPORT AND ACCOMPANYING NOTES

JEJ FOOD COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of JEJ Food Company, Inc., (the Company) is presented to assist in understanding the Company's financial statements. The financial statements and notes are representations of the Company's management who is responsible for their integrity and objectivity. These accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Organization and Purpose

JEJ Food Company, Inc., (the Company) was incorporated under the laws of the State of Virginia on May 14, 1984, to engage in the production, selling and distribution of food products.

Inventories

Inventories are valued at average cost (see Note B).

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the modified accelerated cost recovery system and the accelerated cost recovery system. Expenditures for major renewals and betterments that extend the useful lives of property and equipment are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred.

SEE ACCOUNTANT'S REVIEW REPORT

JEJ FOOD COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992

Start-up and organization costs

The costs of organizing and starting the Company were capitalized and have been amortized over sixty to one hundred twenty months.

Income Taxes

The provision for income taxes is for income earned during the current year, at the statutory federal and state income tax rates. There are no deferred income taxes as the tax and financial reporting are on the same basis.

NOTE B - INVENTORIES

Inventories are valued at average cost based on a physical count at the end of the year. The inventory is as follows:

Grocery (wholesale) items	\$ 45,175
Raw Materials	70,346
Packaging	116,042
Finished Goods-Manufactured	153,956
Parts	30,000
Miscellaneous	<u>4,896</u>
Total Inventory	\$ 420,415
	=====

SEE ACCOUNTANT'S REVIEW REPORT

JEJ FOOD COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992

NOTE C - LONG-TERM DEBT

Long-term debt consists of the following:

Note payable (credit line) to First American Bank, interest only at prime plus 1-1/2 percent; full paydown required within each year for 30 consecutive days. Secured by accounts receivable of Company on large local grocery chain.	\$ 277,241
Note payable (term loan) to First American Bank, interest at prime plus 2 percent; monthly payments of \$ 3,004. This loan was used to consolidate other debt.	166,102
Note payable to Fullerton Lot 2 for leasehold improvements, interest at 15 percent per annum; monthly payments of \$ 1,573.	68,305
Notes payable to Zuniga, interest only at 12 percent with no fixed term.	54,450
Various capital leases at various interest rates and due dates.	613,003
Less current portion	<u>(487,675)</u>
Long-term debt	\$ 691,427 =====

SEE ACCOUNTANT'S REVIEW REPORT

JEJ FOOD COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992

Maturities of long-term debt excluding capital leases are as follows:

<u>Period Ending</u>		<u>Amount</u>
December 31, 1993	\$	310,099
December 31, 1994		36,304
December 31, 1995		129,387
December 31, 1996		14,465
December 31, 1997		16,791
Thereafter		<u>59,053</u>
Total	\$	566,099
		=====

NOTE D - OPERATING AND CAPITAL LEASES

1. The Company conducts its operations from a leased facility. The lease expires in 1998, and is classified as an operating lease. The Company may extend the lease for two additional periods of five years, at rents which escalate 5% per year.

In addition, the Company leases transportation equipment under operating leases expiring in 1995, 1996, and 1997.

The minimum remaining lease commitments under all operating leases for the next five years are:

<u>Period Ending</u>		<u>Amount</u>
December 31, 1993	\$	419,346
December 31, 1994		429,546
December 31, 1995		440,262
December 31, 1996		451,506
December 31, 1997		<u>451,019</u>
Total	\$	2,191,679
		=====

SEE ACCOUNTANT'S REVIEW REPORT

JEJ FOOD COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992

2. The Company leases manufacturing and other equipment that are classified as capital leases and have been included in the assets and liabilities of the Company. The leases expire in 1993 through 1997 with purchase options of varying amounts. Depreciation is recorded for these capital leases as disclosed previously.

The following is a schedule by years of future minimum lease payments required under capital leases as of December 31, 1992:

<u>Period Ending</u>	<u>Amount</u>
December 31, 1993	\$ 177,573
December 31, 1994	161,727
December 31, 1995	176,361
December 31, 1996	91,624
December 31, 1997	<u>5,718</u>
Total	\$ 613,003 =====

NOTE E - RELATED PARTY TRANSACTIONS

The following transactions occurred between the Company and other related parties:

1. Substantially all of the rental of a commercial kitchen was done through Kitchen Privileges, Inc. JEJ Food Company and Kitchen Privileges have common stockholders. The rental payments for the twelve month period ended December 31, 1992, were \$ 180,089.

SEE ACCOUNTANT'S REVIEW REPORT

J E J F O O D C O M P A N Y , I N C .

N O T E S T O F I N A N C I A L S T A T E M E N T S

D E C E M B E R 3 1 , 1 9 9 2

2. Various food and vegetables used in production are purchased from Garcia's Farm, another entity owned by common interests. Purchases as of December 31, 1992, were \$24,386.
3. The note receivable at December 31, 1992, was due from a related party as follows:

10% note receivable from Kitchen Privileges;
principal and interest received of \$ 4,558
per month. Monthly payments have been suspended
since 7/1/92 due to cash flow limitations at
Kitchen Priveleges; however, the note is still
considered to be collectible.

\$ 89,326
=====
4. Notes payable to related parties at December 31, 1992, consisted of the following:

12% notes (interest only) payable to Zuniga
with principal repayments as cash flow is
available.

\$ 54,450
=====
5. Accounts receivable at December 31, 1992, include \$63,463 of trade receivables from Kitchen Priveleges and \$49 of trade accounts receivable from Garcia's Farm, both related parties to J E J F o o d C o m p a n y .
6. Accounts payable at December 31, 1992, include trade accounts of \$8,860 payable to Garcia's Farm and \$5,024 payable to Kitchen Priveleges, related parties to J E J F o o d C o m p a n y .

JEJ FOOD COMPANY, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1992

7. In August, 1992, each of the officers loaned \$10,000 to the company to finance operations. The amount is a non-interest bearing loan, to be repaid as soon as funds are available. Total due to officers:

\$ 20,000
=====

NOTE F - OTHER

1. A material part of the Company's business is done with a single large customer. For the period ended December 31, 1992, this customer accounted for \$ 1,730,148 in revenues. Although there are no formal continuing contracts with this customer, the Company has done business with them for over three years and currently has twelve products in distribution with them.
2. The Company is presently diversifying the large customer base to include grocery and food warehouses, and began distribution to county schools during August 1992.
3. Most of the operating loss during 1992 occurred during the fourth quarter, and is attributable to a particular retailer discontinuing business with JEJ Food Company. The inventory which was produced by JEJ Food Company in expectation of sales to this client was in frozen storage on December 31, 1992, and is in process of being liquidated by sales to another customer at a discount below cost. The process is expected to be completed during the first quarter of 1993, and to recover gross sales to JEJ Food Company of \$83,500.

SEE ACCOUNTANT'S REVIEW REPORT